

**PUBLIC ACTS, 1999**

**CHAPTER NO. 413**

**HOUSE BILL NO. 1869**

**By Representatives Boyer, Ford**

**Substituted for: Senate Bill No. 1790**

**By Senator McNally**

AN ACT to amend Tennessee Code Annotated, Title 67, Chapter 6, relative to the taxation of interstate telecommunication services.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-6-102, subsection (30), subdivision (D), is amended by deleting the words and punctuation "interstate WATS service,".

SECTION 2. Tennessee Code Annotated, Title 67, Chapter 6, Part 3, is amended by adding the following new section:

(a) There shall be exempted from the sales and use tax imposed by this chapter any sales of interstate telecommunication services to a business for use in the operation of one (1) or more call centers. A "call center" is a single location that utilizes telecommunication services in one (1) or more of the following activities: customer services, soliciting sales, reactivating dormant accounts, conducting surveys or research, fund raising, collection of receivables, receiving reservations, receiving orders, or taking orders. A "call center" shall have at least two hundred fifty (250) employee jobs engaged primarily in such "call center" activities.

(b) No dealer shall sell any such interstate telecommunication service under the claim that the same is exempt from the sales or use tax levied by this chapter, where the exemption from taxation is claimed because the vendee or user is entitled to an exemption as a call center, unless the vendee or user shall have issued to it by the commissioner an exemption certificate declaring that such call center is entitled to the exemption. In the event a business operating a "call center" uses its exemption authorization to purchase other services not exempted, the business shall be liable for applicable tax, penalty, and interest. The dealer shall maintain a copy of such exemption in the dealer's records to document that the purchaser was entitled to the exemption.

SECTION 3. Tennessee Code Annotated, Section 67-6-102, is amended by deleting subdivision (33) in its entirety.

SECTION 4. Tennessee Code Annotated, Section 67-6-221, is amended by deleting the language of that section in its entirety and substituting the following new language:

(a) Notwithstanding any other provision of the law to the contrary, interstate telecommunication services sold to businesses shall be subject to a tax imposed at the rate of three and one-half percent (3.5%).

**PUBLIC ACTS, 1999**  
**Chapter No. 413**

(b) The revenue from a rate equal to one-half percent (0.5%) of tax shall be deposited in the general fund and earmarked for education purposes for kindergarten through grade twelve (K-12) in accordance with Section 67-6-103(c)(2). The revenue from a rate equal to one-half percent (0.5%) of tax shall be distributed to incorporated municipalities in the proportion each population bears to the aggregate population of the State and to unincorporated areas of counties in the proportion each population bears to the aggregate population of the state, according to the most recent Federal Census and other census authorized by law. Counties and incorporated municipalities shall use such funds in the same manner and for the same purposes as funds distributed pursuant to Section 67-6-712. All other revenue generated from the tax imposed by subsection (a) shall be deposited in the State General Fund and allocated pursuant to Section 67-6-103(a).

SECTION 5. Tennessee Code Annotated, Section 67-6-702, subsection (g), is amended by adding to the end of that subsection the following new language:

provided, however, interstate telecommunication services sold to businesses are exempt from local tax.

SECTION 6 For the purposes of this chapter:

Taxation of telecommunication services under this Act shall have effect after the effective date of this Act. Exempt services provided for prior to this Act, where taxpayers have not been subjected to tax on exempt services, shall not be subject to taxation prior to this Act.

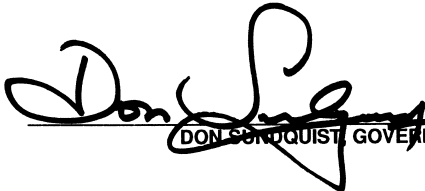
SECTION 7. This Act shall take effect on January 1, 2000, the public welfare requiring it.

**PASSED: May 28, 1999**

  
JIMMY NAIFEH, SPEAKER  
HOUSE OF REPRESENTATIVES

  
JOHN S. WILDER  
SPEAKER OF THE SENATE

**APPROVED this 17th day of June 1999**

  
DON SUNDQUIST, GOVERNOR